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**FISCAL IMPACT STATEMENT**

**LS 7561**

**BILL NUMBER:** SB 577

**NOTE PREPARED:** Apr 20, 2011

**BILL AMENDED:** Apr 20, 2011

**SUBJECT:** Financial Aid.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:** Rep. Dermody

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill names certain private colleges that qualify as approved postsecondary educational institutions.

The bill specifies that students with associate degrees shall be treated the same as other applicants for scholarship awards.

The bill requires attainment of a minimum cumulative grade point average to retain certain scholarships. In addition, with respect to the Twenty-first Century Scholars Program, specifies that certain applicants must attend an Academic Success Program and meet certain financial need criteria.

The bill limits scholarships and tuition remission programs to courses for an undergraduate degree and requires the scholarships be used in not more than eight years.

The bill permits a scholarship to be used for summer classes and provides special rules for professional degree students.

The bill provides a formula for calculating certain scholarships and tuition remission programs.

The bill indicates that changes affecting tuition remissions for children of certain veterans apply only to children of veterans who enlist after July 1, 2011.

The bill establishes a program for the collection of data from private colleges. It provides civil immunity to persons who provide the student data.

The bill merges the Higher Education Award Fund and the Freedom of Choice Grant Fund.

The bill makes other related changes.

**Effective Date:** Upon passage; July 1, 2011.

**Explanation of State Expenditures:** (Revised) *Approved Institutions:* The listing of approved postsecondary educational institutions should have no fiscal impact.

*Associate Degree:* This provision should have no fiscal impact. Since the Core 40 diploma is the standard diploma starting with the fall of 2011, a high school graduate with a Core 40 diploma will get 80% subsidy rate of tuition and fees. Currently the subsidy rates are 100% for Academic Honors graduates, 90% for Core 40 graduates, and 80% for all other students.

*Data Submission:* The bill clarifies that private universities have to submit specified information to the CHE. CHE should be able to process the additional information without additional expense.

*Frank O'Bannon Grant Award Fund:* The bill merges the current Higher Education Award Fund and the Freedom of Choice Grant Fund into the Frank O'Bannon Grant Award Fund. The merger should have no fiscal impact.

*Higher Education Award:* The award would only be for undergraduate students and would require a student to maintain a GPA of at least 2.25 as a sophomore and 2.5 as a junior and senior. If after the first semester the student does not have the required GPA they are placed on probation and may lose the scholarship if the required GPA is not achieved. The impact on future scholarships is unknown. The change would only apply to students who initially enroll in a college after June 1, 2012. The amount of Higher Education Awards in FY 2011 is about \$152.9 M. The possible saving is unknown.

*Twenty-First Century Scholarship:* The removal of the 6<sup>th</sup> grade from the application process could reduce the number of applicants for the programs. There are about 32,000 students enrolling in the program each year in Grades 6, 7, and 8. It is estimated that the change could reduce the number of applications by up to 10,000 per year.

The bill also changes the income requirements to be able to apply for the program from qualifying for free and reduced lunch to only free lunch at the time of application. For students who initially apply after June 30, 2011, the bill requires that the student must still show financial need when they apply for or renew the scholarship. The bill could substantially reduce the future cost of the program. For the 2011 school year, about 38.8% of the students qualified for the free lunch program and 7.7% qualified for the reduced lunch program. The removal of the reduced lunch program students could reduce the number of applicants by about 20%. The requirement that the student would have to qualify for the free lunch program when they are affirmed would further reduce the number of students that might receive a full scholarship. If they would have been affirmed except for the income qualifications, then they are eligible for a one-time scholarship of \$2,500. This requirement could also reduce costs. The appropriation for the current program is about \$29.1 M per year. An ultimate saving of about 30% reduction in future costs would be about \$9 M per year.

The bill raises the GPA requirement from 2.0 to 2.5 for high school graduates after June 30, 2014. The 2.5 grade-point average (GPA) provision could reduce the number of students that might be affirmed for the

scholarship in the future. For 2010, there were 6,661 affirmations to receive scholarships out of 12,970 students enrolled in the program. FY 2008, 11,346 21<sup>st</sup> Century Scholars received an average award of about \$2,500. Of the approximately 6,661 affirmations, about 1,673 students had GPAs between 2 and 2.49, 1,931 had a GPA between 2.5 and 3.0, and 3,057 had a GPA higher than 3.0 on a 4.0 scale. If the requirement was increased to a 2.5 GPA, some of the 1,673 students might have probably obtained a 2.5 GPA or higher through additional work. Assuming that 1/3 of the 1,673 students would have obtained at least a 2.5 GPA, there would still have been about 1,115 students who would not have qualified. The reduction in scholarship funds for 1,100 students would have been about \$2.8 M.

The various provisions of the 21<sup>st</sup> Century Scholars Program have individual cost estimates assigned. Some of the provisions are interrelated so the total savings are not simply the sum of the various estimates. It is unknown exactly what the net impact might be.

*Children of Disable Veteran:* The bill could decrease future fee remissions for an individual student depending on the disability of the parent if the parent enlisted after June 30, 2011. This bill changes the amount of fee remission to a percentage of disability plus 20% with a maximum of 100%. About 78% of the students had a veteran parent with a disability of less than 50%. The bill grandfathered students who are currently enrolled in a state institution as of June 30, 2011, or who are pupils at the Soldiers' and Sailors' Children's Home, or a student whose parent received a Purple Heart decoration or was wounded in enemy action to the previous levels of funding.

For FY 2008-2009, there were about 5,063 children of deceased or disabled veterans receiving about \$18.8 M in fee remissions. There was \$20.5M annually appropriated for this program in FY 2010 and FY 2011. Currently, the demand for fee remissions has exceeded the appropriation so the amount distributed has been reduced so it does not exceed the appropriation. Universities must then make up the difference if the current 100% remission is not fully funded with the appropriation. Any impact of this change will be subject to the number of students who qualify and the amount of future appropriations.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected** State Student Assistance Commission, Higher Education Commission, State Universities.

**Local Agencies Affected:**

**Information Sources:** Laurie Gavin, State Student Assistance Commission, 317-234-5134 .

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